

SADCC AND EXTERNAL AID

by

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Introduction

Apart from reducing dependence on South Africa and enhancing cooperation among states in Southern Africa, SADCC's other major aim is the mobilization of resources in order to carry out national, regional and international projects and to act in concert vis a vis aid organizations in order to acquire finance and technical assistance. The underlying belief in the SADCC member states was that by coming together they would be able to attract more external financial support than was forthcoming. Thus in their declaration: *Southern Africa: Towards Economic Liberation* (1980), The Heads of State of SADCC countries called on "Governments, International Institutions and Voluntary Agencies to give priority to increasing financial resources to support Southern African efforts toward economic liberation and independent economic development" (Lusaka Declaration 1980.4).

The envisaged strategy for attracting foreign support was to identify priority projects (to be known as SADCC projects) and to solicit funding for these projects by "holding ad hoc pledging sessions with existing bilateral and multilateral funding agencies" (Lusaka Declaration 1980.6). It was hoped that the inclusion of a project into the SADCC priority basket would help attract international support for that project and that the publicity that goes with pledging sessions would enlist more funding from abroad. In the following pages we examine the extent to which SADCC has succeeded in the mobilization of external resources.

SADCC Projects and External Aid

The first task of SADCC was to identify priority areas and to work out concrete project proposals to present to the donors. This work was to be done by the established commissions (the first to be established being the Southern African Transport and Communications Commission - SATCC) or Coordinating Units located in various countries that had been given responsibility to coordinate particular areas. What has emerged since the formation of SADCC is that projects are either formulated by (a) a member state or member states in cooperation or; (b) by the coordinating commission/unit or; (c) by the coordinating commission/unit with a member state or states. These projects are then considered by the Coordinating Committee which makes recommendations to the Committee of Ministers that in turn makes recommendations to the Council of Ministers for final decision as to the inclusion of a given project into the SADCC pool of projects. The job of the coordinating units is to ensure that project proposals meet the standards demanded by donors. They are thus intended to provide expert back up to the country planning units.

Once the projects have been identified and presented to the ad hoc pledging sessions in which various donors pledged support for projects of their choice, the actual negotiations for any given project are left to the country or countries involved and the prospective donors. This is because the SADCC project agreements are signed by member state(s) directly involved and cooperating partners. The Commission or the Coordinating Unit only act as witnesses to the agreement. Secondly, the financial responsibility for each project is of the member state(s) involved and each member state is responsible for servicing its financial commitments.

What this means is that while funds are given under the umbrella of

SADCC projects, they are given to a specific country. The donors deal in the final analysis with individual SADCC countries. Their contributions to any project are likely to be determined by their relationship with the individual country rather than by their relationship with SADCC as a group. This aspect has been noted by Saasa (1988), who argues that:

The volume and procedure of aid flow to the SADCC region from principal donors have been conditioned by several factors including the suppliers political and economic attitudes to Southern Africa in general and towards individual SADCC member states.

To elaborate this point Saasa points to the United States attitude towards Angola and Mozambique and its worry towards the politicization of SADCC that has resulted in its very little contribution to SADCC projects and its continued preference for bilateral aid arrangements with some of the SADCC countries. Donor preference and attitudes towards specific countries and projects have led to a wide gap in the aid received by the member states. Table 1 below indicates the amounts received by SADCC countries from its most important donors in 1985. The Table shows that there is a very high concentration of external aid to Tanzania (29.6 percent of total), Zambia (18.1 percent), Mozambique (16.4 percent) and Zimbabwe (16.2 percent). There is a bias on the part of the Nordic countries against Malawi and Swaziland because of these countries' special relationship with South Africa. Angola is in part discriminated against because of its marxist stance.

One, however, has to be cautious with the gross figures in table 1. Given the variability between the SADCC countries in terms of GNP and population, the gross figure indicate that some countries have received very little aid. But if one takes the amount of aid received in terms of per capita and GNP, a different picture emerges

In terms of aid per capita, Botswana which in terms of the gross aid received was one of the lowest, has one of the highest per capita aid in the region (91 US \$), followed by Lesotho (61 US \$), Zambia (49 US \$) and Swaziland (45 US \$). Angola still receives the lowest amount of aid on all counts. However, in terms of greater reliance on aid, seen in terms of a percentage of Gross Domestic Investments and Imports to Official Development Assistance (ODA), Mozambique, Tanzania, Zambia and Zimbabwe still rank the highest.

Given the fact that each country has to negotiate individually with the donors and has to meet its financial responsibility, is it then worth while to speak of SADCC projects? What particular criteria are used to classify a project as a SADCC project? Since the first projects to be categorized as SADCC projects were under the Transport and Communications sector, it might be worth while to look at the criteria used for such classification. According to the 1989 SADCC report on Transport and Communications, the following criteria are applied in assessing projects for inclusion in the SATCC programme:

Table 1.
Important Donors to SADCC Countries in 1985, Mill. USD

	US	Italy	West Germany	UK	Nether- lands	Canada	Japan	Finland	Norway
Angola	7	16	3	-	8	2	-	-	-
Botsw	11	-	13	6	2	5	-	-	11
Lesot	19	-	8	3	1	5	1	1	1
Malawi	6	-	12	14	3	4	5	-	-
Mozamb	47	28	5	9	25	54	3	21	-
Swazil	8	-	2	1	-	4	1	-	-
Tanzan	20	35	33	23	37	30	29	16	45
Zambia	36	1	19	23	16	11	41	12	17
Zimbabwe	56	7	27	25	18	7	9	5	8
	210	88	122	104	110	83	90	37	10 ³

Table 1, continued.
Important Donors to SADCC Countries in 1985, Mill. USD

	Sweden	Denmark	EEC	Totals	Percentage
Angola	19	1	7	63	4.9
Botswana	7	2	3	60	4.6
Lesotho	7	2	8	57	4.4
Malawi	-	5	11	60	4.6
Mozambique	34	6	25	212	16.4
Swaziland	1	-	2	19	1.5
Tanzania	49	37	30	384	29.6
Zambia	23	6	30	235	18.1
Zimbabwe	24	6	4	210	16.2
	164	65	120	1296	100.3

Source: Tom Ostergaard 1988.15.

1. In keeping with overall SADCC objectives, projects should aim at the reduction of economic dependence of the member states, and/or the enhancement of genuine regional integration;
2. Reflecting the regional character of SADCC, projects should be able to benefit more than one member state;
3. To ensure consistence with national development objectives, and to ensure government commitment, projects proposed for regional cooperation should also be part of the National Development Plans of the member states concerned;
4. To ensure comprehensiveness of the overall programme, all projects of regional benefit should be included in the programme, even if additional outside financing is not required.
5. In specific transport modes, projects should generally aim at improvement of facilities and services defined as regional (e.g. regional ports, railways, trunk road network, etc.);
6. Minor transport elements of projects in other sectors should generally be dealt with as integral parts of the projects of these sectors, and thus not included in the SATCC programme. (SADCC: Transport and Communications, 1989. Annex 1).

The spelled out criteria, which have been adopted by other sectors, are so broad as to include the whole spectrum of national projects. It might be easier, within the transport and communications sector, because of the landlocked status of many of the SADCC states, to identify specific regional facilities and services as indicated in criterion five above. This is

not easy with regard to other sectors. In these sectors criterion three, that projects should be part of the National Development Plans, gains precedence. Thus SADCC projects have come to represent a basket of national projects to be presented to external donors for funding. This has introduced an element of competition between similar national projects for external funding. This situation is best exemplified by projects under the Industry and Trade Sector. For example, in the Fertilizer, Insecticides and Pesticides Sub-Sector three major Amonia projects in Malawi, Mozambique and Tanzania are competing for funds under the SADCC programme. The same applies to the Paper and Pulp Sub-Sector where Mozambique, Tanzania and Zambia are competing for funds. It might be argued that the existing market within SADCC is able to accomodate all the production from the three countries, but the presentation of the three for funding at the same time is likely to hamper the availability of enough funds to finance each of them. This appears indeed to have been the case since none of these projects has received external support to date. Of course, there are other reasons, why the industrial sector is likely to gain little external support and these include the fear of competition with the donors industries at home and affiliates abroad. This is one of the reasons identified by Ostergaard (1988) for Nordic's poor support for SADCC's industrial projects.

Another discrepancy in the SADCC projects arises from criterion four that all projects of regional benefit should be included in the programme, even if additional outside financing is not required. This has led to the inclusion of all sorts of projects for which funds had already been secured on a bilateral basis. This has inflated in part figures for the secured funds under the SADCC umbrella and made it difficult to gauge the impact of SADCC programmes on the mobilization of external resources. This point has been raised by Ostergaard with regard to Nordic support for SADCC countries. It appears that a third of Nordic-SADCC commitments is to projects in the

industrial sector. But if one excludes the commitment to the Mufindi Pulp and Paper Mill Project in Tanzania for which funds were already committed by Sweden before the SADCC programme, Nordic countries' commitment to the sector is totally insignificant.

To what extent then can one speak of SADCC projects and gauge the extent to which the SADCC strategy of ad hoc pledging sessions has increased financial flows into the region? To answer these questions, there is need to classify SADCC projects. In this respect we can use the classification adopted by the Energy Unit in classifying its projects. The unit has distinguished five regional projects:

1. Projects of overall regional utility which result from the coordination of the investment programmes of two or more member states, with a view to reducing competition, avoiding unproductive duplication and taking advantage of a larger market;
2. Projects located at the frontier between two or more countries which depend on the presence of natural resources which they exploit, as in the case of hydroelectric power, coal, gas deposits or other mineral raw materials;
3. Pilot and research projects whose results can be repeated in other member states, especially to promoting the utilization of new or renewable sources of energy;
4. Studies, training programmes and other services activities/projects;
5. National projects with a regional impact; have a significant impact on the national energy balance, but cannot be replaced by regional projects and for which economic alternatives can not be found in

neighbouring countries.

While these criteria are specific to the energy sector, they represent a broad classification in which SADCC projects can be placed.

It has so far not been easy to come out with projects that can be described as of overall regional utility in which there is coordination of investments with a view to reducing competition, unproductive duplication and taking advantage of a large market. This is in part because of the extreme nationalism exhibited by the member states. The lesson of the East African Community has discouraged such ventures for fear that certain countries may dominate the regional market. This has indeed hampered the harmonization of industrial production and trade. As for projects located between two or more countries, there is likely to be growing cooperation particularly in the energy sector. Categories three and four, pilot and research projects, studies, training programmes and other services activities/projects appear to have been areas in which there is a high degree of cooperation between the SADCC member states and for which external funding has been received. This aspect is particularly well exhibited in the Agricultural Sector where agricultural research is well funded and in the Manpower Development Sector. Equally, the coordinating units for the other sectors are well funded. There are a number of reasons behind this trend. For the SADCC countries there are direct benefits for each country in as much as they provide the necessary information or support. And besides the results are direct. For the donor countries, the amounts needed for these projects are small and are in line with the technical support bias of these donors. It is not surprising therefore to find that most of the support to SADCC countries has been of a technical nature. This has been pointed out by Ostergaard who notes that in 1986 SADCC received DKK. 104 million in bilateral expert assistance from Nordic countries. This was equivalent to 12.6 percent of all bilateral aid (including SADCC projects) to Southern

Africa. Aid to SADCC countries has for the most part, been "staff intensive". There is an unwillingness on the part of the donors to support large projects whose outcome they are not sure of. And besides, the information provided by the above projects help them to make decisions on profitable investment areas in the region.

Most of the SADCC projects are subsumed under category five, national projects with a regional impact, either because they provide facilities to other countries (the ports and railway projects) or because they increase regional supplies and reduce external dependency for a particular country or group of countries. Support for such projects has varied from country to country on the basis of each country's relationship with external donors. In this context SADCC as a group has helped in the articulation (concretization) of national projects.

We can now turn to the question of the extent to which SADCC has helped in the mobilization of external resources to the region. This is done by examining the SADCC Project Financing Status by Sector at the end of 1988. Overall 571 projects had been identified as SADCC projects. The total cost for the projects was estimated at \$7182 million, of which \$6318 million or 88 percent was to be secured from foreign sources and \$864 or 12 percent from local sources. Of this only \$2675 million or 37 percent has been secured.

Most of the SADCC projects are concentrated in the Transport and Communications Sector (181) and 65 percent of the funds needed are for this sector and 70 percent of all the secured funds are in this sector. The main projects in this sector are:

1. The Maputo Port Transport Systems Projects;
2. The Beira Port Transport Systems Projects;

3. The Lobito Port Transport Systems Projects;
4. The Nacala Port Transport Systems Projects and;
5. The Dar es Salaam Port Transport Systems Projects.

These account for 61 percent of the total costs for the sector (\$2887 million). Support for these projects has varied. The Lobito Port Transport System Projects has secured only 5 percent of the projects funding. This is understandable because of the war situation in Angola. The Nacala Port Transport Systems Projects have secured 94 percent of the required funding. To be noted however is that negotiations for funding of the project preceeded SADCC. The same is true for the Dar es Salaam Port Transport Systems Projects that have received 68 percent of the funding required. The funding for the Maputo and Beira Transport Systems have remained inadequate at 35 and 45 percent respectively (Table 2)

Project	Total Cost	Foreign	Local	Secured	% Total
Maputo Port Transport System	812.4	710.5	101.9	271.0	35
Beira Port Transport System	612.0	552.5	54.6	278.1	45
Macala Port Transport System	277.9	234.2	43.7	261.1	94
Dar es Salaam Port Transport System	592.0	516.4	75.6	409.7	68
Lobito Port Transport System	594.8	588.7	6.1	31.1	5

Source: SADCC: Annual Progress Reports, July 1987 - August 1988 p.35.

The above leads to a number of conclusions. One, a greater percentage of SADCC secured funds has been negotiated separately from the SADCC platform. In other words, a greater part of the external commitments to SADCC are old commitments that have been transferred to the SADCC basket. This is true for the Nacala and Dar es Salaam Port Projects that account for 35 percent of the secured funds in the sector. The same applies to a number of other projects in the surface transport projects (e.g. Road and Rail Transport in Botswana) and the civil aviation and telecommunications projects.

The second most important area for SADCC in terms of funds required is Industry and Trade. There are 92 projects under this sector. The required funding is to the tune of \$1271 million, of which \$1009 million or 79 percent is expected from abroad and \$262 million or 21 percent is local. Of this only \$313 million or 24.6 percent has been secured. This sector, however, is dominated by six major projects. Three Amonia Projects in Malawi, Mozambique and Tanzania and three Pulp and Paper Project in Mozambique, Tanzania and Zambia. The six account for almost the entire sector's funding requirements. Of the six only one has been fully funded and is already in operation - The Mufindi Paper Project in Tanzania. However, as noted above, this project predates SADCC. If it is excluded from the secured funds, then the amount secured for the Industry and Trade Sector is reduced to 10 percent. This ten percent is accounted for by the local commitments to these project (Table 3).

In this sector therefore there has been very little response. This, as noted above, is in part because of fear of competition by external donors, but also because of competition between the SADCC countries. No attempt has been made to harmonize the various countries' industrial programmes or trade.

The third area of importance to the SADCC programme is the agricultural sector. This sector is divided into six subsectors coordinated by various countries. These are food security, agricultural research, soil and water conservation and land utilization, Livestock production and animal disease control, forestry, fisheries and wildlife. There are 135 projects in these sector estimated to cost \$758 million of which \$681 is foreign and \$76 million local. The all sector is dominated by the food security programme

Table 3

The Financial Status of the Major Industry and Trade Projects (US \$ Million).

Project	Total cost	Foreign	Local	Secured
Amonia (Malawi)	132	109	23	23
Amonia (Mozambique)	198	176	22	22
Amonia (Tanzania)	425	405	20	20
Pup and Paper (Mozambique)	156	126	30	30
Mufindi pulp and paper (Tanzania)	187	187	-	187
New Paper Mill (Zambia)	180	70	110	110
TOTAL	1,278	1,073	205	372

Source: SADCC: Annual Progress Report July 1987 - August 1988

\$397 million

The main item under this was the creation of Regional Food Reserve and Regional Food Aid. This was to account for \$209 million of the \$397 million earmarked for food security. Very little progress has been made in this area beyond the completion of feasibility studies. This is because of two main reasons. First is the failure of an agreement between the SADCC members on the scheme. Secondly, is the reluctance of the external donors to fund the scheme.

The second major subsector is that of agricultural research, that included the establishment of SACCAR to coordinate this research. About 69 percent of the funds for this sub-sector have already been secured. This, as noted above, is because of the importance attached to research and technical assistance by the external donors and the utility of the results to the member countries. The other subsector that has received high funding is that of Livestock Production and Animal Disease Control with 78 percent of the required funds secured. The other areas have received very little support.

On the whole, it appears that external support for SADCC projects has been limited. More funds have continued to flow through bilateral channels. The flow of funds through SADCC projects constitutes only a very small proportion of external aid flows to SADCC countries. Total secured funds for SADCC projects in 1986 was only \$1,851 million. This represented only 23 percent of the total aid flows to SADCC countries in the period 1981-1986. Total aid flows into the region amounted to \$7920.7 million (ostergaard 1988.5). If we take into account that some of the secured funds were negotiated outside the SADCC umbrella, then SADCC has not facilitated increased resource flows into the region. The question to ask is why did the expected flows of funds into SADCC projects fail to materialize?

Impediments to External Aid to SADCC Projects

In the first instance it is possible that the high hopes for increased financial flows into the region through the formation of SADCC were groundless. They were merely based on the assumption that the international hatred and repudiation of apartheid, would translate itself into support for the regional organisation that was trying to liberate itself from the apartheid jaws. This has of course not been the case. Secondly, the formation of SADCC did not lead to any changes in the process of aid procurement. It only introduced

a SADCC pool of projects, which as noted above, is nothing else than a basket of national projects. SADCC has become a new forum for competition for external funds. The aid donors' bias to particular countries and projects has remained unchanged. Besides, the expected cooperation under SADCC has not materialized. It has thus been difficult to work out what we have termed, projects of overall regional utility which would have led to a concerted effort to obtain external funding. And as long as SADCC remains a loose grouping, it is not likely to attract increased flows of funds into the region.

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